

## Message Text

CONFIDENTIAL

PAGE 01 PEKING 02841 050445Z  
ACTION EA-12

INFO OCT-01 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01  
CIAE-00 COME-00 DODE-00 EB-08 FPC-01 H-01 INR-07  
INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-05 USIA-06  
OES-07 SP-02 SS-15 STR-05 TRSE-00 ACDA-12 PA-01  
PRS-01 /110 W

-----053836 050451Z /14

R 050321Z DEC 77  
FM USLO PEKING  
TO SECSTATE WASHDC 9320  
INFO AMCONSUL HONG KONG  
AMEMBASSY TOKYO

C O N F I D E N T I A L PEKING 2841

E.O. 11652: GDS  
TAGS: EEWT ETRD CH JA

SUBJ: SINO-JAPAN LONG TERM TRADE AGREEMENT

REF: PEKING 2833

1. SUMMARY. INTENSIVE NEGOTIATIONS FOR THE CONCLUSION OF A SINO-JAPAN LONG TERM TRADE AGREEMENT HAVE TAKEN PLACE IN PEKING DURING THE LAST WEEK BUTW HAVE NOT YET RESOLVED ALL OUTSTANDING ISSUES. THE JAPANESE HAVE AGREED TO STEADILY INCREASING IMPORTS OF PRC PETROLEUM, RISING TO FIFTEEN MILLION TONS BY 1982. THE LEVEL OF COAL IMPORTS REMAINS TO BE DECIDED UNTIL JAPANESE TECHNICIAN CAN ASSESS A NEW CHINESE COKING COAL MINE. FINANCING ARRANGEMENTS FOR THE PRC PURCHASES WERE DISCUSSED ONLY IN GENERAL TERMS AND NO AGREEMENT WAS REACHED. SIGNING OF THE AGREEMENT NOW IS NOT EXPECTED BEFORE FEBRUARY OR MARCH OF NEXT YEAR. END SUMMARY.

2. YOSHIHRO INAYAMA LEFT PEKING AFTER A WEEK  
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 PEKING 02841 050445Z

OF INTENSIVE NEGOTIATIONS ON THE SINO-JAPAN LONG TERM TRADE AGREEMENT. WHILE THERE WAS SOME SPECULATION THAT AN AGREEMENT WOULD BE REACHED ON THIS VISIT, WITH THE FORMAL SIGNING TO TAKE PLACE LATER IN DECEMBER, SEVERAL OUTSTANDING ISSUES STILL REMAIN. FINAL AGREEMENT NOW DOES NOT APPEAR LIKELY BEFORE FEBRUARY OR

MARCH 1978.

3. OUR JAPANESE EMBASSY CONTACTS HAVE TOLD US THAT INAYAMA AGREED THAT CHINESE PETROLEUM EXPORTS TO JAPAN WOULD RISE FROM THE 1977 LEVEL OF 6.8 MILLION TO 15 MILLION BY 1982. THERE WAS NO SPECIFIC DISCUSSION OF LEVELS BEYOND 1982, BUT THERE IS A GENERAL UNDERSTANDING THAT THEY WILL CONTINUE TO RISE. PRICES FOR PRC CRUDE WILL BE SET AT "WORLD LEVELS". MOST OF THE OIL WILL COME FROM TACHING, BUT SOME WILL COME FROM SHENGLI AND THE NEW NORTH CHINA FIELD.

4. NO AGREEMENT WAS REACHED ON THE AMOUNT OF COAL TO BE EXPORTED. PRC WILL SUPPLY COAL FROM A NEW FIELD IN SOUTHERN SHANTUNG TO BE SHIPPED FROM LIENYUNKANG. JAPANESE EXPERTS HAVE ASKED TO VISIT THE MINE AND MAKE A DETAILED ANALYSIS OF THE COAL. STEAM COAL WILL COME FROM TATUNG, SHANSI, AND WILL BE SHIPPED THROUGH PEKING FROM CHINHUANGTAO. JAPAN HAS RECENTLY MADE A 100,000 TON TRIAL PURCHASE OF TATUNG COAL. COAL SHIPPED UNDER THE AGREEMENT WILL ALSO BE SOLD AT WORLD PRICES.

5. THE PRC DID NOT INDICATE THE QUANTITY OR  
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 PEKING 02841 050445Z

COMPOSITION OF IMPORTS FROM JAPAN WHICH IT ENVISIONS FOR THE FIRST FIVE YEARS OF THE AGREEMENT. THE CHINESE HAVE NOT YET DECIDED ON THE COMPLETE PLANTS THEY INTEND TO IMPORT. DISCUSSIONS CONCERNING FINANCING ARRANGEMENTS FOR PRC IMPORTS REPORTEDLY WERE GENERAL IN NATURE AND DID NOT RESULT IN ACTUAL AGREEMENT.

6. COMMENT. WE ARE STRUCK BY THE FACT THAT INAYAMA HAD AGREED TO PETROLEUM PURCHASES OF 15 MILLION TONS BY 1982. JAPANESE PRESS REPORTS AS WELL AS OTHER REPORTS WE HAVE SEEN INDICATED THAT JAPANESE REFINERS AND THE ELECTRIC POWER INDUSTRY HAD AGREED BEFORE INAYAMA'S VISIT THAT THEY COULD ABSORB A MAXIMUM OF ABOUT 11 MILLION TONS EACH YEAR BY 1982. HOWEVER, IT IS LIKELY THAT THE PRC, COUNTING ON THE FOREIGN EXCHANGE TO BE EARNED BY 15 MILLION TONS OF OIL SALES EACH YEAR, INSISTED TO INAYAMA THAT SALES SHOULD RISE TO THE HIGHER LEVEL. INAYAMA NOW MUST SEEK ADDITIONAL OUTLETS FOR THE LARGER QUANTITY OF PETROLEUM BEFORE THE AGREEMENT CAN BE SIGNED. ALSO ADDING

TO THE DELAY IN SIGNING IS THE NEED WORK OUT  
FINAL DETAILS RELATING TO COKING COAL EXPORTS  
AS WELL AS FINANCING ARRANGEMENTS FOR PRC  
IMPORTS.  
WOODCOCK

CONFIDENTIAL

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01-Jan-1994 12:00:00 am  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** TRADE, AGREEMENTS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Sent Date:** 05-Dec-1977 12:00:00 am  
**Decaption Date:** 01-Jan-1960 12:00:00 am  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 22 May 2009  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1977PEKING02841  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
**Expiration:**  
**Film Number:** D770450-0124  
**Format:** TEL  
**From:** PEKING  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1977/newtext/t19771293/aaaadbax.tel  
**Line Count:** 121  
**Litigation Code IDs:**  
**Litigation Codes:**  
**Litigation History:**  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Message ID:** 4e14bc0b-c288-dd11-92da-001cc4696bcc  
**Office:** ACTION EA  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:** n/a  
**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** n/a  
**Reference:** 77 PEKING 2833  
**Retention:** 0  
**Review Action:** RELEASED, APPROVED  
**Review Content Flags:**  
**Review Date:** 30-Dec-2004 12:00:00 am  
**Review Event:**  
**Review Exemptions:** n/a  
**Review Media Identifier:**  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**SAS ID:** 360702  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** SINO-JAPAN LONG TERM TRADE AGREEMENT  
**TAGS:** EEWT, ETRD, CH, JA  
**To:** STATE  
**Type:** TE  
**vdkgvwkey:** odbc://SAS/SAS.dbo.SAS\_Docs/4e14bc0b-c288-dd11-92da-001cc4696bcc  
**Review Markings:**  
Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009